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BEFORE THE

PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Duke Energy Ohio, Inc., for Approval of Pilot Tariff Rates TD 2012 and PTR 3.0.	)))	Case No. 12-1089-EL-ATA

DUKE ENERGY OHIO, INC.'S APPLICATION FOR COST RECOVERY MECHANISM AND PROGRAM APPROVAL

I. Introduction

Duke Energy Ohio, Inc., (Duke Energy Ohio) is an Ohio corporation engaged in the business of supplying electric transmission and distribution service to approximately 660,000 customers in southwestern Ohio. Duke Energy Ohio is a public utility as defined by Ohio Revised Code (R.C.) 4905.02 and R.C.4905.03. Duke Energy Ohio is filing this Application pursuant to R.C. 4908.18 for approval of tariffs for Rates TD 2012 and Rate PTR 3.0, P.U.C.O. Electric Tariff No. 19, Original Sheet Nos. 37.2 and 32.1. The proposed new tariff sheets are attached to this Application as Attachments one and two.

II. The SmartGrid Collaborative

In 2008, Duke Energy Ohio submitted an application for approval of an electric security plan. The matters raised in that proceeding were mostly resolved through a Stipulation and Recommendation and the Public Utilities Commission of Ohio (Commission) approved the Stipulation in December of 2008. The Stipulation in that proceeding, inter alia, provided for a

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collaborative to discuss a means by which to maximize the benefits of the SmartGrid investment, including dynamic pricing tariffs.

Duke Energy Ohio convened a SmartGrid Collaborative and has continued to do so, on a monthly basis, since September of 2009. The SmartGrid Collaborative is open to interested parties, however at present its members include the Staff of the Commission, The Office of the Ohio Consumers' Counsel and Ohio Partners for Affordable Energy. The SmartGrid Collaborative has invested significant time and resources into recommending a portfolio of time-differentiated rates to the Commission for its approval. The SmartGrid Collaborative has worked to ensure that such rates are attractive to customers and designed to effectively incentivize customers to shift their energy usage to flatten peak usage.

III. Proposed Rates

In 2010, through its efforts with the SmartGrid Collaborative, Duke Energy Ohio developed and offered customers a time-of-use rate pilot and a peak time rebate pilot. Despite the limited success in customer acquisition for these pilots, the Company and the SmartGrid Collaborative gained significant valuable insight into some of the desired characteristics of time differentiated price offerings. Applying these insights as well as some of the lessons learned from the 2010 approach to customer acquisition, the Company worked with the SmartGrid Collaborative to develop three new time differentiated pilots. The 2011 portfolio of pilots included a redesigned time-of-use rate structure, a critical peak price design and a peak time rebate pilot. The peak time rebate pilot involved a bifurcated acquisition strategy in which approximately 50% of the customers were acquired through an opt-out strategy and 50% were acquired through an opt-in campaign. The 2011 portfolio proved to more successful with respect overall customer acquisition and provided the Company and members of the SmartGrid Collaborative with additional insight into desired characteristics of offerings, as well as an understanding of the magnitude bill savings that can be achieved.

In 2012, the Company and the SmartGrid Collaborative seek to move forward in a deliberate approach toward the eventual offering of a portfolio of commercialized time-differentiated rates. After working with the SmartGrid Collaborative to develop new rates, Duke Energy Ohio proposes to test two pilot rate designs. The first pilot the Company is seeking approval for in this proceeding is a time-of-use rate structure, Rate TD 2012. The rate structure of proposed Rate TD 2012 is similar to the TD-Lite rate offered in 2011, however Duke Energy Ohio proposes that Rate 2012 will have three variations that reflect different ratios of peak to off-peak pricing. One rate will have a peak rate that is approximately 250% of the Base RS residential rate, one rate has a peak rate that is approximately 350% of the Base RS residential rate, and finally, one rated with a peak rate that is approximately 450% of the Base RS residential rate. Essentially, the pilot will be offering customers the ability to affirmatively select among three rates within the proposed tariff structure that align with their personal risk/reward preferences. For example, a customer that believes he or she has the ability to shift usage away from peak will have the opportunity to choose the rate with the highest peak rate, as it will provide the opportunity for the customer to realize the maximum bill reduction. Since it is necessary to have significant samples in each of the three rate variations within the structure, Duke Energy Ohio proposes to limit pilot enrollment in each particular variation once it has 250 customers enrolled, until the other two variations also reach 250 participants. After Duke Energy Ohio has enrolled 250 customers in all three rate variations, the Company will open enrollment to all three variations again. By conducting the pilot is this manner the Duke Energy Ohio expects to gain an understanding of customer risk tolerance, as well as better insight into the impact that risk tolerance has on the behavior changes motivated by the rate.

The second pilot the Company is proposing in this Application is another peak time rebate pilot. The pilot will be offered to customers on Duke Energy Ohio's standard residential rate. The purpose of this pilot is to validate some of the preliminary insights that were gained in 2010 and 2011. The pilot will continue to offer customers the opportunity to receive a rebate of $0.28 for every kWh of reduction that they take, in comparison to their baseline usage during a peak period of 2:00 to 7:00 p.m. The company is expanding the number of events that the company may call from 10 to 15, in order to assess what impact the events have on customer acquisition and satisfaction with the program.

The Company is also proposing to again employ a bifurcated acquisition for this PTR 2012 pilot. Duke Energy Ohio proposes to offer the rate to up to an additional five hundred customers and plans to offer it to 250 customers via an opt-out approach. Under this opt-out approach customers will receive notification that they are being placed in the PTR 3.0 rate pilot and informed that if they prefer not to participate that they simply need to inform Duke Energy Ohio and they will be removed from the pilot. Consistent with the results of the 2011 pilot, it is anticipated that Rate PTR 3.0 will be well-received by the customers because the tariff is designed to cause no harm to the customer and only offers them a positive outcome, should they choose to take action during the peak events. That is, the rate should result in monthly bills that are similar to the customer's usual monthly bills, but if the customer opts to take advantage of the rebate offer, the customer will receive a rebate.

Due to the nature of the proposed time-of-use pilots, such that they allows the customer an advantage during peak summer months, it is extremely important that the tariff s be approved on an expedited basis so that Duke Energy Ohio can acquire the customers in the coming months, thereby allowing the newly acquired customers to be able to take maximum advantage of the rates.

IV. Conclusion

For the reasons set forth above, and for the limited number of customers proposed, Duke Energy Ohio respectfully requests that the Commission accept and approve both Rate PTR 3.0 and Rate TD 2012. Upon approval of the Application, Duke Energy Ohio will file a sufficient number of copies of its tariff sheets, as directed by the Commission.

Respectfully submitted,

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